

Report to: Cabinet

Date: 22 September 2022

Title: Housing development update

Report of: Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning

Cabinet member: Councillor William Meyer, Lead Cabinet Member for Housing

Ward(s): Newhaven South

Purpose of report: To provide an update on the progress of the housing delivery programme.

Decision type: Key Decision

Officer recommendation(s):

- (1) To approve the updated business case (Appendix 1 - Exempt) and Capital Budget Allocation (up to £7.1m) for the project known as the Former Newhaven Police Station within the capacity of the HRA Capital Programme.
- (2) To authorise the Director of Regeneration and Planning, in consultation with the Portfolio Holder for Housing and Chief Finance Officer, to carry out all necessary actions to facilitate the project including financing, feasibility, development and determining the terms of, and authorising the execution of, all necessary documentation.

Reasons for recommendations: To provide progress updates and secure the necessary approvals to bring forward ongoing key housing development projects within the district.

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1 Introduction

1.1 This paper provides a progress and budget update on the new Council housing project at the Former Newhaven Police Station.

2 Background

- 2.1 In September 2021, Cabinet approved the business case to enable the redevelopment of the former Police Station in Newhaven to create 21 x new affordable homes (19 x flats and 2 x houses) with high sustainable features, including PV solar panels, green living roof, and high performing thermal elements. This business case included the purchase of the land from Sussex Police and the allocation of a budget within the Housing Revenue Account (HRA) Capital Programme of up to £6.2m.
- 2.2 This business case was based on a tender figure that was received from Sunninghill Construction Co Ltd in July 2021, the preferred contractor. This tender figure was secured for 120 days, through to 23rd November 2021.
- 2.3 In June 2022, a report was presented to Cabinet ('Housing Development Update') setting out the current economic environment and specific inflationary impacts on the construction sector nationally. These unprecedented challenges will have implications to projects not already in contract and will require a review to ensure ongoing viability.

3 Project Update

- 3.1 Following Cabinet approval in September 2021, the purchase was unexpectedly delayed and did not complete until April 2022. The tender figure from the contractor therefore become invalid and had to be updated to reflect changes in the market over that period.
- 3.2 The contractor has re-engaged with their supply chains and subsequently updated their original tender figure to reflect the current market valid up to 03/10/2022. Following the purchase of the site, Sunninghill have been engaged to carry out initial enabling works and site security, to ensure works can continue at pace and the Council-owned site is sufficiently protected.
- 3.3 The project costs for this development have therefore increased and so require a variance to the previously approved capital budget from £6.2m up to £7.1m in order to award the full construction contract. This includes the cost of the land, construction costs, and all associated project on-costs.
- 3.4 As set out in Appendix 1 (Exempt), the increased costs will be minimised mainly through the additional use of available Right to Buy (RTB) receipts which, following the statutory reforms in 2021, allow the authority to finance up to 40% of the development costs from those retained 1-4-1 receipts. The changes in market rents nationally have also changed however the Council continues to maintain levels at circa 60% of the market, which is approximately 67% of the 2022/23 Local Housing Allowance (LHA) levels.
- 3.5 With the increased costs being supported by a combination of additional subsidy and income, the scheme remains deliverable within the capacity of the HRA Capital Programme and tolerances of the HRA Business Plan. and will be reported in the next budget update.

3.6 All the homes will continue to be developed and owned within the HRA and rented out as affordable Council housing, managed by Homes First.

4 Outcome expected and performance management

4.1 The overall outcomes of the recommendations will be the continued delivery of the Council's HRA Capital Programme to meet corporate objectives to bring forward more Council homes that meet local housing need.

5 Consultation

5.1 Local consultation has been undertaken on site prior to the planning application being submitted, as well during the statutory consultation process. Additional consultation has also been carried out with Ward Councillors and the Town Council will continue to be engaged with as the scheme move towards on-site works commencing.

6 Corporate plan and council policies

6.1 The new housing delivered will contribute to the housing targets as set-out in the Corporate Plan 2020-2024 – Reimagining Lewes District. The programme will increase the number of rented homes directly accessible to the Council and increase sustainable development.

7 Next Steps

7.1 Following approval of this report, the formal appointment of a contractor will be made, and the demolition of the existing building carried out by the end of the calendar year. A target completion of the development works has been programmed for 2023/24 Q4.

8 Financial implications

8.1 The proposals outlined within this report are in accordance with the HRA Business Plan and Capital Programme approved for 2022/23.

8.2 The HRA Revenue Budget and Rent Setting 2022/23 and HRA Capital Programme 2020-24 includes the overall allocation for new acquisitions and new construction. The outline plan for projects being covered by this allocation is covered in the July 2021 Cabinet Report entitled 'Housing Development Update' and includes an allocation for the Former Newhaven Police Station Site.

9 Legal implications

9.1 The Council can rely on section 9 of the Housing Act 1985 (HA 1985) to undertake the development. This is a power to provide sub-market rented housing for its area i.e., to address a gap in the housing market and meet the needs of the local community. Right to Buy will apply to these properties.

In disposing of properties, Section 32 of the HA 1985 permits the Council to let on secure tenancies without the requirement for Secretary of State consent.

The Council will take full advice on any title issues associated with the development and in respect of appropriate ways to address any issues revealed.

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10 Risk management implications

10.1 The key risks and mitigations are set out in the following table:

| Ref | Risk | Mitigations |
|------------|---|--|
| 1 | External/world pressures (CV-19, war in Ukraine, Brexit) increasing construction/fuel costs, inflation and impacts on development viability | Entering into a fixed price D&B contract now will secure the development cost and enable the council to monitor spend moving forward. |
| 2 | Security risk and vandalism to an empty Council own building | The former police station is now empty and enabling works have installed temporary security measures to stop unwanted access. Once in contract, the security responsibility will sit with the contractor until completion. |

11 Equality analysis

11.1 The reports previously presented to Cabinet for the proposed development were subject to Equality and Fairness (E&F) assessments. This update does not affect the proposed development and only relates to an increased budget allocation therefore an additional analysis is not required.

It should be noted, the development includes a disabled ready unit and this will be designed for the individual needs of the tenant once they have been identified during the construction process.

12 Environmental impact analysis

12.1 The previous approved report from September 2021 outlined the measure undertaken and being taken forward. This updated report does not affect this as it relates only to an increased budget allocation.

13 Contribution to Community Wealth Building

13.1 The construction contract was advertised and assessed using a social value assessment toolkit that has been designed around the Corporate Plan objectives, including those focused on Community Wealth Building. As part of the main contract, Sunninghill Contractors have signed up to support up to 12 local people with a combination of work experience, NVQs and apprenticeships. They have also pledged up to £10k to support local voluntary and community groups with local fundraising and other initiatives

14 Appendices

- 14.1
- Appendix 1 (Exempt) – Updated Business Case.

15 Background papers

15.1 The background papers used in compiling this report were as follows:

- LDC Cabinet Report (10th February 2020) - Former Police and Fire Station Sites, Newhaven
- LDC Cabinet Report (8th July 2021) – Housing Development Update.
- LDC Cabinet Report (23rd September 2021) – Housing Development Update
- LDC Cabinet Report (23rd June 2022) – Housing Development Update